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INTRODUCTION

Intermediate School District of St. Clair County (ISD) entered into contract BA-01-74001 with the Michigan Family Independence Agency (FIA) to provide a Before or After School Program for school age children who meet the criteria for the Temporary Assistance to Needy Families (TANF). The services are to be provided by the various school districts and community agencies. The contract totals \$1,937,914.85 and covers the period October 1, 2000 through June 21, 2001. The ISD of St. Clair County is reimbursed for actual cost incurred through the submission of monthly billings to FIA.

SCOPE

The Office of Internal Audit performed an audit of the ISD of St. Clair County to determine if the ISD's billings were accurate, and costs billed were allowable, and properly supported by the accounting records and other documentation. We also reviewed documentation to determine whether the ISD is properly monitoring the 22 subcontractors that provide the services for this program.

EXECUTIVE SUMMARY

Based on our audit, we concluded that the ISD of St. Clair County did not bill FIA in accordance with the terms of the contract. Our report recommends that FOA initiate the process to recoup funds if appropriate corrective action is not taken by the ISD of St. Clair County.

AUDITEE RESPONSE

The management of the ISD of St. Clair County indicated in a telephone conversation on August 10, 2001 that they are in agreement with the findings and that recoupment action will not be necessary because corrective action has been taken by submitting corrected billings to FIA.

The ISD management also informed us that they did not allow the Memphis Schools to amend their budget to include the cost of the workbooks in the supplies line item.(Finding #4)

FINDINGS AND RECOMMENDATIONS

Improper Billing Format

1. The ISD of St. Clair County improperly billed FIA for costs incurred under the Before and After School Program. The billings included costs by line item that were a cumulative total of the ISD and the subrecipient expenses. The contract required the ISD to bill for their administrative costs under the salaries and fringe benefits line items, and the subrecipients' costs under the contractual services line item.

Contractual Services Over and Under Billings

The following are expenses that were either overbilled or underbilled by ISD of St. Clair County subcontractors.

Algonac Community Schools

2. Algonac Community Schools incorrectly billed the miscellaneous line item for snacks for the test month of February 2001. The school over paid the supplier then in turn billed the contract. The amount was immaterial however, the invoices should be reviewed for accuracy before being paid.

Marysville School District

3. Marysville School District underbilled the miscellaneous line item and overbilled the supplies line item because they recorded the snack expenses in the incorrect line item.

Memphis Public Schools

4. Memphis Public Schools expended \$1,873.69 for workbooks for the before and after school program. They had not yet billed the cost to the program because the workbooks were not included in the contract budget. The ISD of St. Clair would need to allow the Memphis Public Schools to make a line item adjustment to increase the amount of the supplies budget and reduce the amount of another line item in order to allow the cost of the workbooks.

Yale Public Schools

5. Yale Public Schools overbilled the supplies and underbilled the miscellaneous line item by \$160.89 for the month of December, due to including the snacks in the supplies line item instead of the miscellaneous line item.

Girl Scouts

6. The Girl Scouts overbilled the Miscellaneous line item \$47.63 and underbilled salaries by \$46.62 for the test month of January 2001. The miscellaneous expense was overbilled due the employees' expense vouchers showing no detail or supporting invoices. The payroll information provided totaled more than what was billed.

Center for Human Resources

7. The Center for Human Resources (CHR) overbilled the ISD of St. Clair County by \$11,074.40 for salaries and \$1,950.43 for fringe benefits because they billed based on estimates. The actual costs that were documented by time sheets were less than the estimates. The audited salaries included the positions of Prevention Specialist, Accountant, Clinical Supervisor, Clerical, Prevention Coordinator and Executive Director. The contract however only allows for 3 specialists and 2 mentors. If the ISD allows CHR to submit a budget amendment to include all positions above, the figures reported here will be the

amount of the adjustment. If the line item budget is not amended to include those positions mentioned above, then CHR overbilled \$12,912.56 for salaries and \$ 2,777.60 for fringes.

In addition CHR billed for advertising and liability insurance costs which were not included in the contract budget. ISD will need to allow CHR to amend the contract budget to include advertising and liability insurance, or CHR will have overbilled \$717.50 and \$80 respectively for these expenses.

YMCA EL School Program PHASD

8. YMCA underbilled the occupancy line item due to a \$50 math error for pool usage time that was not charged.

YMCA Middle School PHASD

9. YMCA overbilled the contractual services line item by \$585 because the actual cost of renting the tennis house was less than the amount they reported on their billing.

WE RECOMMEND the Field Operations Administration (FOA) instruct the ISD of St. Clair that they must resubmit all of their billings to accurately reflect their subcontractors' costs in the contractual services line item.

WE ALSO RECOMMEND FOA require the ISD of St. Clair to provide assurance that their subcontractors have made all the appropriate corrections to their billings, and that they have informed their subcontractors that they are to bill for actual costs incurred for program expenses, and bill expenses in the appropriate line items. If the corrections are not made, FOA will need to initiate the process to recoup \$563.01 from the ISD of St. Clair (for the amounts in findings #6, 8, and 9).

WE FURTHER RECOMMEND that FOA determine if ISD of St. Clair has allowed Memphis Public Schools to amend their contract budget to allow Memphis Public Schools to bill for the workbooks, and initiate the process to recoup \$1,873.69 if they have not approved the amendment.

IN ADDITION, WE RECOMMEND that FOA initiate the process to recoup \$13,024.83 (\$11,074.40 + 1,950.43) from ISD of St. Clair if they approve the budget amendments for the Center for Human Resources, or \$16,487.66 (\$12,912.56 + 2,777.60 + 717.50 + 80.00) if they do not approve the budget amendments.

REVIEW OF SERVICE

10. We reviewed service documentation for 4 of the ISD's 22 subcontractors to determine if the children were eligible for services, and were provided the services required by the contract. The 4 subcontractors we selected provided services to a total of 116 students. We reviewed 36 case records to determine if the required TANF eligibility forms were on file. We found that the TANF forms were on file, and that the subcontractors had attendance records and monthly reports for the children served under this program. No exceptions were noted for the cases reviewed.